

Q2 2015



City of Seal Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Seal Beach In Brief

Seal Beach's receipts from April through June were 10.3% below the second sales period in 2014. Excluding reporting aberrations, actual sales were down 12.7%.

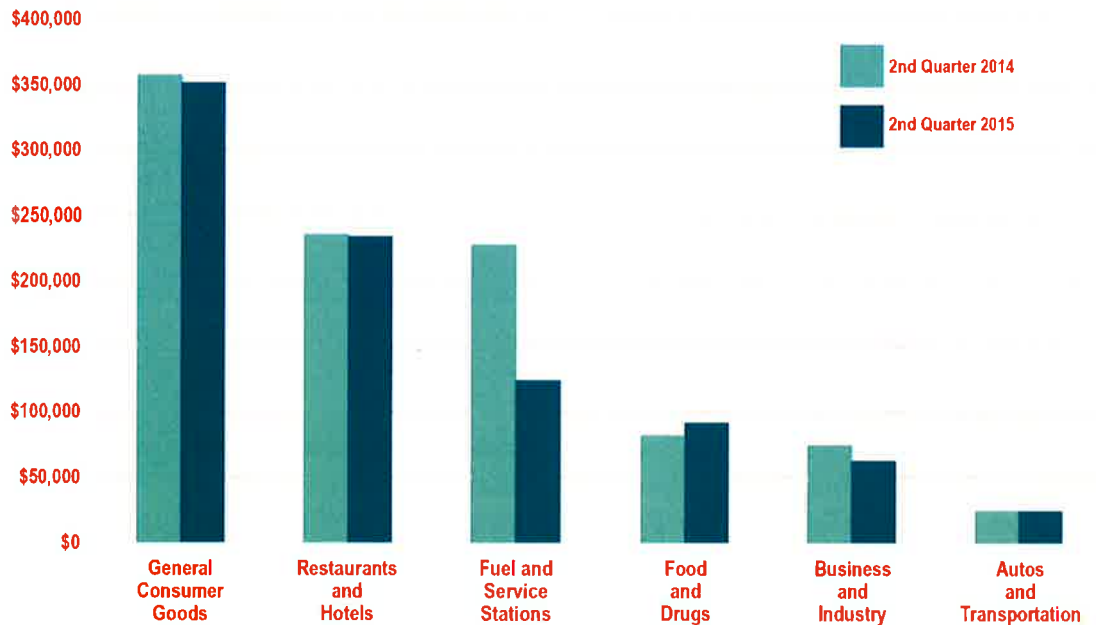
A decline in sales from the fuel and service stations sector was primarily responsible for the current decrease. A business closeout reduced receipts from women's apparel.

An incorrectly allocated payment that inflated last year's allocation caused the drop in business and industry. A missing payment depressed returns from restaurants and hotels.

The losses were partially offset by a recent addition that helped boost revenues from the food and drugs group and the relocation of a company headquarters from a neighboring jurisdiction.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T Mobility	Original Parts Group
Bed Bath & Beyond	Pavilions
Boeing	Ralphs
Chevron	Roger Dunn Golf Shop
Chevron	Seal Beach Mobil
Chicos	Spaghettini
College Park Mobil	Sprouts
Conkle 76	Target
CVS Pharmacy	Toys R Us
Energy Tubulars	Ulta
Home Goods	Walts Wharf
In N Out Burgers	
Kohls	
Marshalls	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,004,581	\$891,394
County Pool	111,657	109,719
State Pool	759	746
Gross Receipts	\$1,116,997	\$1,001,858
Less Triple Flip*	\$(279,249)	\$(250,465)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

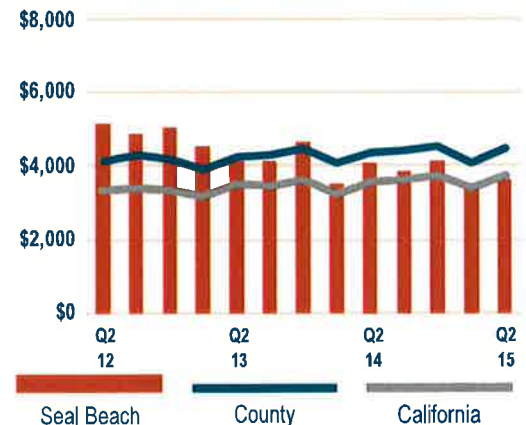
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

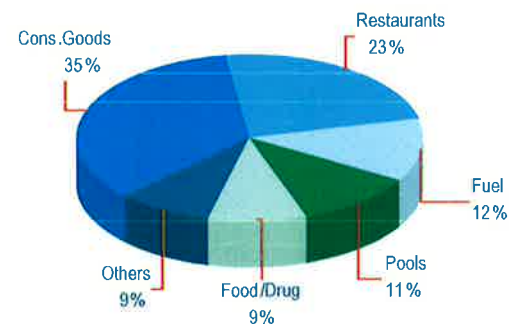
The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Seal Beach This Quarter



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q2 '15	Change	Change	Change
Casual Dining	117,471	2.9%	6.5%	6.4%
Department Stores	— CONFIDENTIAL —		-2.5%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —		0.2%	0.0%
Drug Stores	— CONFIDENTIAL —		-8.4%	-8.0%
Family Apparel	34,047	7.8%	2.1%	2.8%
Fast-Casual Restaurants	28,611	2.8%	6.3%	9.9%
Fine Dining	— CONFIDENTIAL —		13.0%	11.5%
Grocery Stores Liquor	— CONFIDENTIAL —		4.3%	3.5%
Home Furnishings	47,478	4.8%	13.9%	7.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-23.3%	-22.7%
Quick-Service Restaurants	58,324	7.2%	9.2%	9.1%
Service Stations	103,126	-13.7%	-8.1%	-11.7%
Specialty Stores	41,864	9.5%	7.6%	5.4%
Sporting Goods/Bike Stores	20,467	11.2%	-2.1%	0.1%
Women's Apparel	33,569	-26.8%	-2.8%	-3.7%
Total All Accounts	891,394	-11.3%	2.8%	2.8%
County & State Pool Allocation	110,464	-1.7%	13.8%	11.8%
Gross Receipts	1,001,858	-10.3%	3.9%	3.8%